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Limited Sky of Open Sky Policy – Study on Impact of Recent Amendment of Open Sky Policy on Indian Economy

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Abstract

The purpose of the present study is to understand the impact of the recent amendment of open sky policy (cargo) of India, dated 15th September, 2020 on Cochin International Airport (CIAL) of India. The study has highlighted the impact of the amendment on exports, revenue, employment, agriculture and other associated stakeholders of the economy. The present study has utilized the first-hand data taken from CIAL to highlight the adverse impact of amendment in the open sky policy of Cargo. The study has highlighted that the recent amendment in the open sky policy is aimed at providing equal opportunity for Indian carriers which is appreciable. However, it is evident from the statistics that the Indian carriers have not been able to utilize the situation to their advantage as Indian carriers do not have a sufficient number of freighters. Also, the study has emphasized that the current amendment is affecting the export performance, foreign exchange earnings, domestic farmers, employment opportunities and also the Indian carriers in the long run.

The study is novel in itself which has been highlighting the gaps in the steps taken by government of India during COVID to boost self-reliant India (atmanirbhar bharat) through amendment in open sky policy.

Keywords: Export; Cargo; Open sky policy; Perishables; Airlines

Introduction

Before the year 1990, the economy of India was growing by 5 percent on an annual basis however, this growth was not influential in the case of cargo capacity [1,2]. Considering this, in early 1990, the government of India has come up with an economic policy to bring engagement and regulation in different market systems of the economy [3]. While introducing various policies liberalization is the crucial part to introduce in every sector to make them self-reliant [4]. Accordingly, the government has also liberalized the aviation sector to boost the tourism sector of the country [5,6]. Besides, for enhancing the international air cargo capacity government has introduced the open sky policy for cargo [7]. Under policy, any airline either from India or from foreign carriers are allowed to operate scheduled as well non-scheduled cargo services to or from any airports in India provided carriers are meeting the specified operational and safety requirements and the airports are well acquainted with custom and immigration facilities [8,9]. Initially, it has been determined that policy would be adopted for a period of three years although due to the exceptional increase in air cargo capacity, the policy has been extended on a permanent basis [10,11]. Also, the government of India has included foreign airlines for additional freight operations operated by mixed passenger/freight aircraft where non-scheduled operations are as equal part as scheduled operations [11].

After almost three decades the government of India has modified the open sky policy. Accordingly, the operations of foreign ad hoc and pure non-schedule freighter charter service flights have been restricted to 6 airports namely Bengaluru, Chennai, Delhi, Kolkata, Hyderabad and Mumbai [12,13]. Although, all-cargo flights operated under humanitarian and emergency needs through the UN and other multilateral bodies of which India is a member, and also all-cargo flights hired by or carrying cargo belonging to any Ministry/Department of Government of India or a State/UT Government may be permitted to operate with requisite priority to or from any airport in India where customs/immigration facilities are available. Here, the government of India has a viewpoint that these changes in cargo policy have been made to ensure fair and equal opportunity in the air cargo capacity offered by Indian registered airlines and airlines registered elsewhere. However, few of the Indian airports have mentioned that this would curtail the exports particularly perishables as on these airports majority of the operations are carried out by foreign airlines on a non-scheduled basis [14]. Considering this, the present study has outlined the issues of

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Table 1: Impact on cargo before and after amendment in Open Sky Policy.

Period April to 10th November 2020	Import in Metric Tons	Export (figures in Metric Tons)		
		Perishable Cargo	General Cargo	Total
Cargo data of 06 months before implementation of amendment				
April	79.30	1410.20	290.00	1700.20
May	144.00	1866.50	822.10	2688.60
June	327.50	2092.60	763.30	2855.90
July	456.20	2091.30	862.80	2954.10
August	488.50	2468.20	929.20	3397.40
September	362.10	2300.80	746.50	3047.30
Cargo data after implementation of amendment				
October	421.00	1369.30	541.10	1910.40
Nov 1st to 10th	167.40	426.70	182.70	609.40

Source: Data from CIAL (cial.aero)

one of the prominent airports of India, Cochin International Airport (CIAL) which has been facing a challenging situation due to the amendment in open sky policy for non-scheduled flights. The CIAL as well as air cargo exporters who have used the Cochin International Airport itself has faced difficulties that are further hampering the various stakeholders of the economy. Considering this, the present study is aimed to present the challenges faced by the CIAL due to the amendment in the policy and the consequent impact on other sectors of the economy.

Impact of the Amendment on Economy

Earlier 22 airlines were operating international flights, from Cochin, out of which 4 were Indian carriers and 18 are foreign carriers. During the pre-COVID times, International cargo was carried in the scheduled passenger flights depending on the available cargo space as there was no scheduled freighter service operating. Non-Scheduled freighters were operated during the festival seasons in Kerala to export additional vegetables and fruits to destinations in the Gulf region. Since there were sufficient passenger flights to all destinations, adequate cargo space was available to meet the demand. During the COVID period, when passenger flights were disrupted, foreign carriers started operating non-scheduled cargo flights using converted passenger aircraft which mostly met the space demands of the export community. Since Indian carriers were operating a limited number of flights the cargo space offered by them was insufficient to meet the demand.

During the COVID period from April to September 2020, 75% of the total cargo exported was carried by foreign carriers and the share of Indian carriers was limited to 25%. Export cargo statistics from April 2020 to 10th November 2020 as received from the CIAL are shown below (refer to Table 1).

Also, it has been found that the export volume reduced to 1369.30 Metric Tons in October 2020 from 2300.80 Metric tons in September 2020, resulting in a reduction of 40%. The major portion of the exports, averaging 80% consists of vegetables and other perishables. In September, 2020 Foreign Registered Carriers operated 45 Cargo flights and 114 passenger flights (total 159 flights) and carried an export cargo tonnage of 2723.00 metric tons. Whereas, Indian registered carriers operated 148 passenger flights alone and carried a total export tonnage of 324.30 Metric tons only (refer to Table 2). Thus, the Indian registered carriers could provide capacity for carrying 11% of the total cargo exported. In October foreign-registered carriers operated no freight flights but 126 passenger flights operated carried 1427.50 Metric Tons. In contrast, Indian registered carriers operated 2 freight alone flights and together with 212 passenger flights carried 482.90 Metric tons of export cargo (refer to Table 2). The Indian registered carriers have contributed only 34% of the total export tonnage in the month. When compared to the 45 numbers of freight alone flights operated by foreign-registered carriers in September Indian registered carriers could operate only 2 freighters in October and in November till 10th no freighters have been operated (refer Table 2). After the implementation of the policy the marginal increase in tonnage carried by the Indian Carriers from September to October is only 158.60 metric tons (refer to Table 2).

The reduction in Export shipping Bills from September to October is 656 numbers which accounts for a reduction of 26% (please refer to Table 3). In the COVID scenario, the ban on operations of non-

Table 2: Tonnage carried by foreign registered carriers and Indian registered carriers.

Period April to 10th November 2020	Foreign Registered Carriers			Indian Registered Carriers		
	Freighter/Converted Passenger Cargo Flights (No.'s)	Pax Flights (No.'s)	Tonnage (MT's)	Freighter/Converted Passenger Cargo Flights (No.'s)	Pax Flights (No.'s)	Tonnage (MT's)
April	27	31	1336.60	18	4	363.60
May	50	21	2175.30	21	37	513.30
June	54	38	2361.20	15	98	494.70
July	42	68	2444.70	07	136	509.40
August	55	91	3048.50	04	118	348.90
September	451	14	2723.00	0	148	324.30
October	0	1261	427.50	2	212	482.90
Nov. 1st to 10th	0	41	456.00	0	79	153.40

Source: Data from CIAL (cial.aero)

Table 3: Number of shipping bills.

Period April to 10th November 2020	Number of Shipping Bills (data obtained from Customs EDI)
April	768
May	1544
June	2069
July	2218
August	2395
September	2598
October	1942
1st to 10th November	561

Source: Data from CIAL (cial.aero)

Table 4: Income received on account of international cargo.

	January, 2020	August, 2020	September, 2020	October,2020
Income from international cargo (Rs in Lakhs)	285.83	169.37	178.41	149.53

Source: Data from CIAL (cial.aero)

Table 5: Detail on destinations in correspond to flight capacity.

Destination	Flight capacity (pre-COVID period)		Flight capacity (COVID period before October)		Flight capacity (In October)	
	No. of flights	Capacity (in MT)	No. of flights	Capacity (in MT)	No. of flights	Capacity (in MT)
Dubai	45	540	23	235	11	95
Doha	25	345	9	145	5	25
Abu Dhabi	35	175	6	90	4	60
Saudi	27	385	7	71	3	15
Kuwait	21	105	6	70	4	60
Muscat	22	100	3	30	7	35
Singapore	7	35	3	55	0	0
Sharjah	15	75	6	30	11	55
Bahrain	14	70	2	10	3	15
Total	211	1830	65	736	48	360

Source: Data from CIAL (cial.aero)

scheduled foreign carriers expects to create a 50% drop in total export cargo tonnage comparing to 2019-20.

Revenue impact on CIAL

During the COVID period, the cargo was a major source of revenue which helped CIAL to reduce the burden of losses from other sectors. After the implementation of the amendment, the cargo volume has nosedived resulting in a sharp decrease in the revenue. The income from International cargo before and after the policy implementation is given in below Table 4.

Unutilized cargo space

Since the inception of the new aviation policy in October foreign carriers are not allowed to operate non-scheduled cargo flights to Cochin. The sudden stoppage of those flights has created a vacuum in the cargo space availability. This drastic reduction in the number of flights and cargo capacity resulted in a sudden drop in the tonnage in October 2020. To substantiate this, the cargo space availability (per week) to major destinations during different periods is given in below Table 5.

Un-utilized infrastructure

Considering the yearly growth in the cargo volume CIAL has developed all infrastructural facilities to handle the increasing volume of cargo, annual handling capacities of their existing terminal buildings add up to a total of 1,25,000 MT's. Since 1st October 2020 terminals at Cochin International Airport are underutilized due to the dip in the cargo volume. Anticipating growth in the cargo volume in the coming years they have taken up the expansion of cargo terminals and have already started the construction of a dedicated import cargo terminal building with a total area of 1,47,000 Square feet. After the completion of import terminal expansion of existing export terminal expansion is also planned which will increase the export area to 96,000 Sq. feet. In the present scenario, the airport has seriously having a re-look at the necessity of investing such a huge amount to develop such a huge infrastructure. The cargo revenue has reduced by 16% in October when compared to September 2020, which can be reckoned as due to a reduction in flights in October. The revenue is lesser by 48% compared to the income in the pre-COVID period (January). The above figures include Import income also and same has to a certain extent offset the great loss suffered at Exports due to reduced movement.

Impact on the export community

Traditionally airports in Kerala export large quantities of Agricultural produce to the Middle East and other destinations. General cargo such as oleoresins (spices extract), electronic items, garments, coir products, etc. are being exported in large quantities to Europe and the US markets. Many exporters engaged in the export of agricultural produce have set up export warehouses near the airports which today are lying idle. The export of agricultural produce has

Table 6: Detail on perishable exporters sending cargo to Doha from Cochin.

Perishable Exporters sending Cargo to Doha from Cochin		Tonnage in Kg	
		September 2020	October 2020
1.	Thaaza Exports & Importers	10070	NIL
2.	Golden Exports	18511	NIL
3.	East Asia Exim Private Ltd	30301	NIL
4.	Musiriz Exports	9462	NIL
5.	Sevens Entenrrises	24262	NIL
6.	Haad Exports	25792	NIL
7.	Mohammed RaisShaiahan	5962	NIL
8.	Varsha & Varna Exports	34741	6158
9.	Green Field Exporters & Importers	23538	NIL
10.	KB Exports &Imports	16600	NIL
11.	Al Ameen Plantan Merchant	24434	2008
12.	AnappadikkalTradinqCompanv Pvt Ltd	173471	NIL
13.	B K Exports	24502	8634
14.	Pomano Exports Rrt Ltd	30055	NIL
15.	SRS Exports & Imports	8751	NIL
16.	Aiza& Amal Trading	35478	7054
17.	AR Exports	6829	NIL
18.	RBG Flowers	346	NIL
19.	VGA Exports	11692	NIL
20.	Fair Exports	35105	NIL
21.	Anna Harsha Exports	4211	NIL
22.	Yamuna Exports	2212	NIL
23.	Unique Global Exports	1253	NIL
24.	Bharat International	2429	NIL
25.	Indian Flowers	338	809
26.	Indian Marine Industries	800	NIL
27.	PVR Foods	1544	NIL
28.	Vanguard Exports	3386	NIL
Total Weight		409945	24663
Total Weight in Metric Tonnage		410	25

Source: Data from CIAL (cial.aero)

dropped drastically since the new policy was implemented. Several businesses have had to lay off workers due to the reduced off-take. Vast godown spaces, erected at huge expense, are today lying un-utilised. Farmers and especially organic farming who earlier catered to the export business have now been left in the lurch since their produce has no takers.

Reduction in perishable exports to Doha station

Till September, there were 28 Exporters, sending Perishable Cargo to Doha by Qatar Airways. In October, 2020 after the implementation of the amendment in the policy, only 6 exporters are sending perishable cargo through CIAL to Doha in Qatar Airways. For Doha, many alternatives are not available by air to move shipments from Cochin (refer to Table 6).

Impact on the agricultural sector

Historically 80% of the total export from CIAL is perishable goods such as fruits and vegetables. Being centrally located and due to the ease of access exporters of perishable items from Kerala and nearby places depend on the airport here to export their products (refer to Table 7). A major share of perishables to almost all Middle Eastern countries are exported from CIAL. The consistent and guaranteed movement of these goods year-round is the main livelihood of farmers and other stakeholders involved in the agriculture sector and allied businesses. The non-availability of cargo space for export has put the people in a grave situation on top of the Covid crisis that has affected society at large. In addition to the usual movement of perishables, the foreign carriers would also operate additional cargo freighters during festival seasons like Onam and Vishu when there is an increased demand for such items from expatriate Keralites and others in the Gulf region. These operations have now been curtailed due to the policy change.

Discussion and Conclusion

The new policy is apparently aimed at providing equal opportunity for Indian carriers which is appreciable. However, it is evident from the statistics that the Indian carriers have not been able to utilize the situation to their advantage. From April to September 2020, most of the foreign carriers were operating wide-bodied aircraft while the Indian carriers were operating narrow-bodied aircraft which cannot take cargo in the bulk. In wide-bodied aircraft, cargo is taken as unitised cargo. Also, foreign carriers can take cargo to all major destinations of the world offered through their onward connections from their hubs, while Indian carriers offer only point to point service. Also, due to increased capacity and connections worldwide, foreign carriers were able to offer very competitive rates. Two flights that were operated by Spice Jet in October, 2020 were the only operations carried out by an Indian carrier. To date, there has been no operation in November, 2020. This could be due to the fact that Indian carriers are more expensive and this is not viable for most of the shippers. It is not economically feasible to export consumables like vegetables and fruits by paying very high freight charges as the margins are low and the consumer cannot be charged exorbitantly. Indian carriers operate only point to point flights and cannot take cargo to other destinations as they do not have code-sharing agreements with other foreign airlines. Foreign carriers offer lesser rates for point to point cargo and charge more for cargo going on onward connections, thereby compensating the lower rates charged for point to point freight. Also, Indian carriers do not have a sufficient number of freighters. The freighter aircraft available are narrow-body aircraft with a limited capacity of 17 MT. It is seen that due to the shortage of air cargo space some agents are attempting to move their goods through the sea route. As the importers abroad want a continuous supply of goods, they will also find exporters from other countries like Vietnam, Sri Lanka, Philippines, etc. who can supply large quantities of perishables at competitive rates.

Also, under the changed circumstances business has dwindled

Table 7: Data on export tonnage at CIAL for the previous years and the projection for 2020-21 based on current trends.

Types of Cargo	2016-17	2017-18	2018-19	2019-20	2020-21(projected)
General Cargo (MT)	7463.20	12803.50	15867.10	12238.10	7644.51
Perishable Cargo (MT)	56548.20	49990.10	33586.90	35488.60	20245

Source: Data from CIAL (cial.aero)

drastically and will soon become negligible if the situation is not addressed immediately. Transporting the said perishables to the nearest metro airport for export is also not a viable solution as most of these perishable goods are purchased from nearby places and need to be made ready for export, packed, etc. in the least amount of time possible so that the consignee in fresh condition. Delays in transporting such commodities will affect the quality of perishables. Cargo once readied for export cannot be returned to the pack house since it then becomes damaged. Being a highly competitive field, most shippers do this business with very low margins. Thus, it is not feasible to transport the cargo to other airports incurring higher transportation costs. Most of the freight forwarders have pack houses near the CIAL where the goods are sorted and packed in ready to carry condition. Their investments to create such facilities have been enormous and to think of shifting to new locations is not practical or feasible. If the current situation continues, they fear that their importers will source their requirements from elsewhere which will, in turn, affect their export performance, their foreign exchange earnings, the domestic farmer, employment opportunities and also the Indian carriers in the long run.

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